

To: Alisha Johnson/DC/USEPA/US@EPA[]
From: POLITICO Pro Energy <politicoemail@politicopro.com>
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Subject: Morning Energy, powered by America's Natural Gas Alliance: EPA to release soot standard - Keystone still elephant in room for transpo bill - Inhofe's CRA vote set for Wednesday - National Research Council to release report on energy activities, earthquakes
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<http://politico.pro/NCqWl7>
<http://on.mash.to/MQruIG>
aguillen@politico.com
 POLITICOPro
<http://politico.pro/ML48KG>
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[Keystone is still the elephant at the transportation conference](#)
[GOP to keep pushing streamlining, TE changes](#)
[BSEE: 24/7 scrutiny for Shell Arctic drilling](#)
[back](#)
[back](#)
[back](#)
[transportation bill](#)
[back](#)
[back](#)
[back](#)
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By Alex Guillen | 6/15/12 5:44 AM EDT

With help from Erica Martinson, Andrew Restuccia and Darius Dixon

EPA TO RELEASE SOOT STANDARD: EPA signed a proposed rule to set tighter soot air quality standards on Thursday, as ordered last week by a federal judge fed up with the agency's stalling. EPA will announce today that the proposed regulation sets a maximum air quality standard of 12 to 13 micrograms per cubic meter, an administration official said. That echoes EPA's April 2011 policy assessment (<http://1.usa.gov/frgtl5>) and the conclusions of the agency's science advisors. The current annual standard is 15 micrograms per cubic meter. "Virtually all counties in the United States will meet the proposed standard with no additional action needed," the official said.

EPA air chief Gina McCarthy has often argued that that EPA's Mercury and Air Toxics Standards for

power plants and the Cross-State Air Pollution Rule, among others, will result in significant enough reductions of fine particulate matter, or PM2.5. But many environmentalists, including those that sued to force a tighter standard, disagree with that. "A tougher new air quality standard could drive the need for additional cleanup," Clean Air Task Force President Frank O'Donnell said earlier this week.

Many GOP lawmakers, however, disagree. Members of the House Energy and Commerce Committee pushed the EPA last week to keep the standard the same. And the American Petroleum Institute on Wednesday questioned the "cause and effect" between PM2.5 and health effects. Eleven states and several environmental groups sued EPA to force the agency to finish the rule. After a stern rebuke in the U.S. Court of Appeals for the D.C. Circuit, the agency agreed to finalize the standards by Dec. 14.

KEYSTONE STILL THE ELEPHANT IN THE ROOM: The transportation bill turmoil of the past week may have been enough to give lobbyists indigestion, but it's the sort of brush clearing necessary before the leadership engages on the thorniest issue: Keystone. The white-hot fight over the Keystone XL pipeline has seemingly been set to simmer while transportation wonks trade paper on policy issues. But that's largely because of the feeling that the leadership won't engage on the bill's most-controversial item — Keystone — until everything else looks greased.

"The pressure on either side to work out a deal isn't there until it is the last unresolved issue," one highway lobbyist said. "At this point, no reason for anyone to give, because it is unclear whether or not any of the transportation pieces can get worked out." Kathryn A. Wolfe has the story — including why the recent FAA reauthorization may serve as a model on the pipeline provision — for Pros: <http://politico.pro/Lf7p9F>

ON ENVIRONMENTAL STREAMLINING: House Republicans plan to forge ahead on environmental streamlining provisions in the bill. Adam Snider: <http://politico.pro/NCgWI7>

HAPPY FRIDAY and welcome to Morning Energy. Forget the pizza vending machine — get a load of Burritob0t, a 3-D printer that makes Tex-Mex with customizable levels of salsa and guac: <http://on.mash.to/MQruIG> (h/t Tal Kopan). Tell ME if you want your tortilla double-sided — and share your energy news — at aguillen@politico.com. Follow: @POLITICOPro

INHOFE'S CRA VOTE SET FOR WEDNESDAY: Sen. Jim Inhofe says his Congressional Review Act vote to repeal the EPA's Mercury and Air Toxics Standards for power plants will occur this coming Wednesday. But despite the impending vote and increasing pressure from environmental groups, Inhofe's office continues to decline to provide the list of signatories that got him the CRA vote. "We're focused on getting to 50," said Inhofe spokesman Matt Dempsey.

RESEARCH COUNCIL TO RELEASE EARTHQUAKES REPORT: The National Research Council will release a report today on the role of hydraulic fracturing and other energy tech in causing earthquakes. The report "examines the scale, scope and consequences of earthquakes caused by subsurface fluid injection during energy production and identifies gaps in knowledge and research that could advance the understanding of manmade earthquakes."

BSEE PROMISES 24/7 OVERSIGHT IN ARCTIC: BSEE Director Jim Watson is promising around-the-clock surveillance by federal officials if Shell is allowed to go forward with drilling in Arctic waters. Watson said federal inspectors would be placed on two Shell drilling ships 24/7 — as opposed to the way inspections are handled via helicopter in the Gulf of Mexico. Darren Goode has more for Pros: <http://politico.pro/ML48KG>

** A message from America's Natural Gas Alliance: A recent IHS Global Insight study highlights the tremendous economic opportunity made available by America's unconventional natural gas supplies. Communities across the country are working with natural gas producers to train local people for these jobs. Here's how: anga.us/workforce **

STATE REGULATOR RESIGNS AFTER 'GREED' COMMENT: A Wyoming oil and gas regulator has resigned after commenting earlier this month that Pavillion, Wyo., residents who say natural gas activities have contaminated their water supply are greedy. "I really believe greed is driving a lot of this," Tom Doll, former director of the Wyoming Oil and Gas Conservation Commission, said at a state regulators meeting earlier this month. "I think they're just looking to be compensated." Doll apologized for the comments last week. The Star-Tribune has more: <http://bit.ly/KxrUjB>

CHU PLANNING ENERGY EFFICIENCY ECONOMICS PAPER: Energy Secretary Steven Chu will soon release an economics paper (the Nobel laureate's first) "that could upend modern ideas on how energy efficiency works," Greenwire reports. "For decades, the government has placed minimum energy standards on household appliances like fridges, once a notorious power hog. The expectation has been that, while purchase prices might temporarily bump up, electricity savings would balance that expense down the road. ...The thing is, historical data don't show it to be true. There is no bump, [Chu] said." <http://bit.ly/MSLmEU>

JACKSON TALKS SUSTAINABILITY: EPA chief Lisa Jackson sat down with the Information Technology Industry Council to discuss sustainability and messaging ahead of her visit to Brazil for the U.N.'s Rio+20 sustainability conference. "I think that what we're going to see at Rio is going to be a real emphasis of how to put in the hands of citizens everywhere information they need to ensure that their world is sustainable, that their air quality is getting better, that their economy is growing, that there's the pillars of social inclusion and justice that are so important to the development of a thriving society, if you will." Watch the video: <http://youtu.be/05ISFpUoaKw>

FERC, NRC MEET ON GRID RELIABILITY: FERC and the NRC are holding a powwow together today to discuss grid reliability. The two-hour agenda includes a hit list of big-ticket items, including each agency's progress on cybersecurity activities. NRC staff also plan to discuss the agency's post-Fukushima-related work and an overview of Southern Co.'s Vogtle plant expansion, according to presentation slides (<http://1.usa.gov/Lpz17A>). Staff from both commissions, along with the North American Electric Reliability Corp., will also brief agency leaders on geomagnetic threats to the electric grid. The meeting begins at 9:30 a.m. at FERC headquarters. 888 First St. NE. Live webcast: <http://1.usa.gov/KKN2vb>

ARNO HARRIS TAKES OVER SEIA BOARD: Arno Harris, the CEO of Recurrent Energy, has been elected chairman of SEIA's Board of Directors Executive Committee. Patricia Nugent, the director of policy and business development for Dow Solar, was elected vice chairwoman.

ADMINISTRATION SIDES WITH OIL COMPANIES IN HUMAN RIGHTS CASE: SCOTUSBlog reports on the Justice Department's brief in *Kiobel v. Royal Dutch Petroleum*: "The Obama administration urged the Supreme Court on Thursday to close the U.S. courts to most lawsuits involving claims that a foreign corporation helped a foreign government engage in human rights abuses in that country. While arguing that the door to American courts should be left somewhat ajar to allow some abuse claims, the options that would remain would appear to be quite narrow, with a variety of legal hurdles to overcome." More: <http://bit.ly/LC67nM>

LAWMAKERS MOVE TO SET UP MANHATTAN PROJECT NATIONAL PARK: Sens. Lamar Alexander (R-Tenn.), Tom Udall (D-N.M.), Maria Cantwell (D-Wash.) and Patty Murray (D-Wash.) have introduced a bill creating the Manhattan Project National Historical Park, and Rep. Doc Hastings (R-Wash.) plans to introduce a House version next week. The park will consist of three sites of the Manhattan Project, the government program that developed the atomic bomb during World War II, in Los Alamos, N.M.; Oak Ridge, Tenn.; and Hanford, Wash. Read the bill setting up the park: <http://bit.ly/M2KigK>

OPINION: Rep. Peter Roskam (R-Ill.), the House GOP's chief deputy whip, holds up Solyndra as an example of President Obama's economic policy. "You can call Obama's vision 'Solyndranomics.' It's basically about using taxpayer dollars for broad government intervention in the economy, often to support your donor's speculative adventures." <http://politi.co/M9mhk8>

OBAMA GAVE A NEARLY HOURLONG SPEECH on the economy yesterday, but he stuck to his usual talking points when it comes to energy, calling for the elimination of tax breaks for the biggest oil companies, urging Congress to pass a Clean Energy Standard and underscoring the need to invest in research and development.

QUICK HITS

— OPEC has decided not to up its production limit despite the economy and lowering oil prices. New York Times: <http://nyti.ms/LpKbZP>

— ConocoPhillips has resumed shipping liquefied natural gas from Alaska to Japan. Platts: <http://bit.ly/KFgkx8>

— Louisiana Gov. Bobby Jindal has signed a bill redirecting money from the BP oil spill to coastal restoration. Times-Picayune: <http://bit.ly/OMQlq1>

— The full Senate Appropriations Committee has passed a 50 percent bump for the Commodity Futures Trading Commission's budget. Reuters: <http://reut.rs/LI0vXU>

— A federal jury quickly decided yesterday that Kevin Costner did not bilk Stephen Baldwin in a deal over BP oil spill contracting. Wall Street Journal: <http://on.wsj.com/MaaGS5>

THAT'S ALL FOR ME. Happy Father's Day to all the dads out there.

** A message from America's Natural Gas Alliance: Thanks to natural gas, we don't have to choose between advancing our economy, our environment and our greater energy self-reliance for our nation. This year, the average U.S. household will see a

nearly \$1,000 increase in disposable income thanks to America's vast supplies of affordable natural gas. This abundance also is making U.S. companies and American workers more competitive — creating more than 1 million U.S. manufacturing jobs by 2025. With continuous advances in drilling technology and strong state-led oversight, safe and responsible development is taking place every day across our country. That's why America's natural gas is smarter power today. Follow us on Twitter @angaus **

Stories from POLITICO Pro

Keystone is still the elephant at the transportation conference

GOP to keep pushing streamlining, TE changes

BSEE: 24/7 scrutiny for Shell Arctic drilling

Keystone is still the elephant at the transportation conference back

By Kathryn A. Wolfe | 6/15/12 5:31 AM EDT

The transportation bill sturm und drang of the past week may have been enough to give lobbyists indigestion, but it's the sort of brush-clearing necessary before the leadership engages on the thorniest issue: Keystone.

The white-hot fight over the Keystone XL pipeline has seemingly been set to simmer while transportation works trade paper on policy issues. But that's largely because of the feeling that the leadership won't engage on the bill's most-controversial item — Keystone — until everything else looks greased.

"The pressure on either side to work out a deal isn't there until it is the last unresolved issue," said one highway lobbyist. "At this point, no reason for anyone to give because it is unclear whether or not any of the transportation piece can get worked out."

Those searching for clues to how the bill might proceed should take a page from recent history, namely the last FAA reauthorization bill enacted earlier this year.

Like the transportation bill, the FAA bill had numerous substantive aviation policy issues on which both chambers disagreed. Also similar: The FAA bill had a provision tacked on by the House that was sharply politicized along partisan lines and that gummed up negotiations.

The FAA negotiations dragged through several months — and some extensions — as lawmakers worked through policy issues first. Once that was done, the most controversial piece, regarding union elections in the airline industry, was negotiated mostly by Senate Majority Leader Harry Reid (D-Nev.) and House Speaker John Boehner (R-Ohio).

Though the Beltway chatter about Keystone's ride on the transportation bill has mostly quieted for the moment, the issue looms in the background of negotiations. Still, the intermission hasn't stopped some lawmakers from lobbing grenades in the meantime.

On Wednesday, House Transportation and Infrastructure Chairman John Mica (R-Fla.) said "the Senate leadership appears unwilling to compromise at all on the Keystone XL pipeline." Mica was responding to comments made by Senate Democrats who accused House Republicans of obstructionism on the bill.

But it's clear that the leadership has yet to engage in substantive discussions about Keystone, and both Democrats and Republicans in the Senate dismissed the comment. And even if leadership does get to Keystone, there is still a White House veto threat hanging over the pipeline.

"I don't think they're even going to bother discussing Keystone or coal ash or the other non-germane provisions until they get some kind of agreement, if they can get one," said one Senate GOP leadership aide.

And Adam Gentleson, a spokesman for Reid, said, "This discussion hasn't reached the leadership level yet."

On Thursday, Senate Democrats ratcheted up the rhetoric, pointing fingers at House GOP leadership.

Sen. Barbara Boxer (D-Calif.), the conference chairwoman, told listeners on a call with industry stakeholders that the bill's outcome hinges on Boehner, according to a source on the call. Boxer said Boehner "needs to prove that he wants a bill."

House Minority Leader Nancy Pelosi's office also issued two press releases chiding Boehner for a video he released earlier in the day citing the GOP's efforts to create jobs. One release states: "Speaker Boehner is the only thing standing in the way of a bipartisan, Senate-passed bill that would create or save 2 million jobs," referring to the transportation bill and urging people to tweet with the hashtag #ThereAreTheJobs.

Michael Steel, a spokesman for Boehner, said House conferees are continuing to negotiate in good faith.

"The Highway Trust Fund is bankrupt, and the federal highway program is in serious need of reform. The House positions, including the job-creating Keystone pipeline, are fair and practical," Steel said.

Burgess Everett and Adam Snider contributed to this report.[back](#)

GOP to keep pushing streamlining, TE changes [back](#)

By Adam Snider | 6/14/12 8:06 PM EDT

Sen. Barbara Boxer's (D-Calif.) statement that she won't consider anything not included in the House-passed transportation bill sure was news to House Republicans — but they say they still plan to forge ahead.

House GOP conferees spoke on the phone Thursday afternoon and remained undeterred in their efforts on several key provisions — including streamlining and major changes to the Transportation Enhancements program.

After the call, conference vice-chairman John Mica (R-Fla.) put out a statement saying "we all remain committed to working toward a bicameral conference report that includes long overdue reforms to our nation's highway programs." He said that "House conferees stand ready to negotiate in good faith but there must be a willingness on the part of the Senate to do the same."

But perhaps the most interesting part of the statement was Mica's admission that a deal might be out of reach. "If an agreement cannot be reached, the House will not allow these important programs to expire," he said.

A senior Senate aide later clarified that the upper chamber indeed has worked on issues not in the House measure — and placed blame on the lap of House Republicans.

"The Senate has negotiated on issues in the Senate bill, even when they are not included in the House conference bill. The Senate's bipartisan proposals have focused on specifically addressing House Republican concerns and have in every case moved in the direction of the House Republicans' approach. The House has not yet offered compromise language on key issues or responded to many of the Senate proposals at this time, but the Senate is 100 percent committed to finding a compromise," the aide said.

GOP House conferees James Lankford (Okla.) and Steve Southerland (Fla.) held a conference call with reporters to once again claim that the Senate has not been working with them — a charge Boxer and aides strongly deny.

Lankford took issue with Boxer's earlier statement — and asserted that the Senate has been unwilling to negotiate on Keystone and streamlining, two things that are in the House bill.

"What's interesting is we walked through the bill, we walked through the committee-passed version in the House with the committee," Lankford told POLITICO. "That never came up in any of our negotiations at any time. And now for her to suddenly throw that out there now, that's an interesting dynamic."

Lankford also said the recent Transportation Construction Coalition ads running in his district haven't bothered him.

"These ads that they're running telling us to try to get something done have actually, I think, backfired on them to solidify our base," he said on the conference call. "I'm actually quite pleased they're running the ads against us, because it's emboldened us even more."

Burgess Everett contributed to this report.[back](#)

BSEE: 24/7 scrutiny for Shell Arctic drilling [back](#)

By Darren Goode | 6/14/12 6:28 PM EDT

BSEE Director Jim Watson is promising around-the-clock surveillance by federal officials if Shell is allowed to go forward with drilling in Arctic waters.

Watson said federal inspectors would be placed on two Shell drilling ships 24/7 — as opposed to the way inspections are handled via helicopter in the Gulf of Mexico.

“This is a bit unique although it had been done in the Arctic area in the '80s and '90s,” Watson said on a conference call with reporters Thursday. “We just put the inspectors out there for two or three weeks at a time.”

Along with addressing the historic infrastructure and logistical hurdles caused by drilling in the remote, icy Arctic waters, the extra effort would be valuable “because of the interest we have in establishing U.S. leadership in the safety and environmental protection of the Arctic as these new areas are being explored,” he said.

The around-the-clock presence, he said, would be used “to not only compel compliance on a continuous basis” but also to “record the experience and add to the knowledge of any future exploration.”

The Obama administration appears poised to allow Shell to drill exploratory wells, even as the president faces attacks from Republicans and industry groups over domestic energy production. But the administration also faces critics among green groups opposed to Arctic drilling.

Watson said the agency has made no decisions regarding Shell’s applications to drill two exploratory wells in the Beaufort Sea and three exploratory wells in the Chukchi Sea this summer. BSEE has approved Shell’s oil spill response plans for both sets of wells, but multiple tests are still needed in the coming weeks before drilling permits are issued.

That includes a full deployment test of the capping stack — similar to the one that stopped the oil flowing from BP’s Macondo well in the Gulf. A test will involve waters in the Portland, Ore., or Seattle area at depths that will be used in the Arctic, Watson said.

There is no exact schedule for that or other tests, he said.

Watson spoke to reporters from Portland, where he looked at Shell’s capping stack. He was in Seattle on Wednesday to visit the two drilling rigs Shell has proposed using in the Arctic. The rigs are still undergoing review by BSEE and Coast Guard engineers and inspectors.back

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